

**City of Larchwood
Independent Accountant's Report
on Applying Agreed-Upon Procedures
For the Period
July 1, 2020 Through June 30, 2021**

**Grant and Williams, Inc.
Certified Public Accountants**

City of Larchwood

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City of Larchwood

City of Larchwood

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Snyders	Mayor	January 2022
Ken Kerkvliet	Council Member	Resigned March 22, 2021
Mike Metzger	Council Member	January 2022
Tanner Tracy	Council Member	January 2024
Holly Horstman	Council Member	January 2024
Candie Medema	Council Member	January 2024
Sandi DeSmet	Clerk/Treasurer	Indefinite
Lachlan Murphy Bonander	Attorney	Indefinite

GRANT AND WILLIAMS, INC.

Certified Public Accountants

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Independent Accountant's Report on Agreed-Upon Procedures

December 1, 2021

To the Honorable Mayor and
Members of City Council:

We have performed the procedures enumerated below, which were established at Iowa Code Chapter 11.6, to provide oversight of certain Iowa Cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Larchwood for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Larchwood's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Larchwood's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2021 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. The City has no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced selected receipts for accurate accounting and consistency with the COA.
13. The City has no voter approved levies.
14. We traced selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
15. The City had no transfers.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether proper.
17. We observed the annual certified budget for proper authorization, certification and timely filing with the County.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Larchwood's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or

conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Larchwood and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Larchwood during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in blue ink that reads "Grant and Williams, Inc." in a cursive script.

Grant and Williams Inc.
Certified Public Accountants
Sioux Falls, SD

City of Larchwood
Detailed Recommendations
For the period July 1, 2020 through June 30, 2021

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Council Meeting Minutes – Summary of Claims – Iowa Code Chapter 372.13(6) requires the publication of the minutes to include a list of all claims allowed and a summary of all receipts and claims. The claims listed did not total to be the same as the amount listed in the summary of claims for the month.

Recommendation – They should include all of the claims paid during the month and that amount should be the same as the amount listed in the summary of claims.

- (C) City Council Disbursement Approval – The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation – The City has adopted a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to the disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval. The policy to allow payment of certain bills prior to City Council approval was adopted on December 7, 2020 council meeting, but this did not cover the full period subject to agreed-upon procedures.

- (D) ACH Disbursements – ACH disbursements were not included on the list of all claims allowed for the months that were tested and were not approved by the City Council.

Recommendation – ACH disbursements should be included on the list of all claims allowed each month and approved by the City Council.

- (E) Monthly City Treasurer's Report – The City Treasurer's reports for each month did not include the beginning fund balances or transaction classes, but did include the ending fund balances.

Recommendation – The City should establish procedures to ensure the City Treasurer's reports includes the beginning fund balances and transaction classes .

- (F) Bank Reconciliation – The general cash accounts in City's general ledger were not reconciled to the corresponding bank account balance throughout the year. For the month of June the general checking account balance per the bank statement was \$131.00 more than what was reported in the City's general ledger accounts consisting of nine funds.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.